

ECONOMIC GOVERNANCE (AEG) PROJECT

Sector:	Economic Governance
SO:	Rehabilitate Afghanistan As a Nation State
Program Name:	Afghanistan's Economic Governance (AEG)
Implementer:	Bearing Point
Duration:	Dec 2002 – Dec 2005

Working in close collaboration with the Ministry of Finance and the Central Bank of Afghanistan, the Economic Governance program is helping Afghanistan build its economic policies and increase revenue collection. The main activities are:

Fiscal Technical Sector

- Taxpayer Identification Numbering (TIN) System – system implemented in September 2003; expansion into 5 provincial offices during March 2004; 16 local staff members trained; partnership with AISA and Ministry of Commerce to ensure coordination with Business Licensing process; 18,782 TINs have been issued to date.
- Rental Services Tax – system implemented in March 2004; 52 local staff members trained; media campaign to raise public awareness in Kabul City; development of Assessment Team for non-compliant filers; to date, 882 payments have been collected (totaling \$1.9 Million).
- Business Receipts Tax – system implemented in July 2004; training course developed; 41 local staff members trained; media campaign to raise public awareness in Kabul City; creation of Assessment Team for non-compliant filers; to date, 45 payments have been collected (totaling \$32,260).
- Budget Preparation & Analysis – initial reorganization proposal submitted in 2003; Priority Reform & Restructuring (PRR) proposal prepared and approved in December 2003; Ordinary Budget reform completed in August 2004; staff training and technical assistance ongoing.
- Budget Appropriation, Allotment & Reporting – examination of the Afghan Government's Chart of Accounts (in conjunction with Afghan Treasury); development of monthly reporting and budget implementation

monitoring system; technical assistance with 1382, 1383 and 1384 budgets.

- **Mustofiat Program** – Afghan financial officers appointed to all scheduled provinces; expatriate managers deployed to 6 regional centers for increased monitoring and capacity building; integration of a detailed fiscal reporting system; standard operating procedures developed for data quality and report generation; enhanced flow of budget information from regional offices to Ministry of Finance.
- **Information Technology** – Ministry of Finance network infrastructure enhanced (new domain structure); equipment upgrades implemented; detailed Security Policy drafted and implemented; Help Desk established; Internet and inventory procedures developed; local area network (LAN) and wide area network (WAN) architecture enhanced; training in troubleshooting and security awareness ongoing.
- **Customs Operations** – Border Posts established in 14 different provinces; implementation of a petroleum import duty; implementation of the Simplified Customs Clearance Process; introduction of the Mobile Customs Unit; adoption of the Harmonized System for goods classification; country-wide implementation of the Brokers Program; full accession into the World Customs Organization; as of December 18, 2004 \$93.8 Million collected through Customs Operations.

Financial Technical Sector

- **Macro-Economics & Monetary Policy** – regular publication of Quarterly Economic and Statistical Bulletin; continued monitoring of Foreign Exchange market and auctions; implementation of Statistics Database; ongoing compilation of Balance of Payments statistics; coordination and capacity building with Central Statistics Office (CSO); collection and publication of foreign exchange rates.
- **Financial Supervision** – licenses or permits issued to 7 different banking entities (2004); completed re-licensing of 3 state-owned banks; initiated the licensing of foreign exchange dealers (5) and money service providers (1); DAB General Supervision staff selected; formal introduction of accounting and reporting regime for commercial banks; compliance monitoring system introduced for re-licensed banks; 8 priority regulations adopted.

- **Market Operations** – daily production of investment reports; establishment of Investment Committee; ongoing portfolio management and restructuring; commercial banks integrated into Afghan auctioning system; Capital Notes system implemented in September 2004.
- **Central Bank Operations** – expansion of service delivery to Ministry of Finance and other government entities; regular sweeps of Ministry of Finance mustofiat accounts; implementation of new revenue collection programs; implementation of the Individual Salary Payments Program in Kabul City; completion of Hajj Payment Programs (1382 and 1383); cash management and security upgrades.
- **Branch Operations** – Afghanistan Funds Transfer System implemented in 24 branches; Branch Accounting System operational in 15 branches; National Solidarity Program payments ongoing and increasing in volume; Priority Reform and Restructuring (PRR) Program criteria met for the Branch Management section of Bank Operations.
- **Payment Systems** – International Funds Transfer System migration complete, with 5,842 transfers (\$2.33 BN) completed last year; Afghanistan Funds Transfer System (domestic payments) operational since June 2004, with 1,362 payments (AFN 12.8 M) completed last year.
- **Human Resources** – new Central Bank organizational structure developed; departmental positions defined and job descriptions drafted; Human Resources Committee established; training facilities identified and enhanced; training programs developed (Supervision, Market and Bank Operations).

Legal and Regulatory Technical Sector

- **Legal Reform** – four laws have officially been enacted: Da Afghanistan Bank, Bribery and Official Corruption, Financial Terrorism as well as Money Laundering and Criminal Income. 15 additional laws are currently in their development stage.
- **Telecom Regulatory Board** – independent sector regulator established; ongoing recruitment of 20-30 new staff members; staff training plans developed and implemented; ongoing support in promulgating draft



Telecom Law and any subsidiary legislation; ongoing support in the design and implementation of non-discriminatory licensing regime (including GSM services and Internet service providers); continued assistance with the launch of a Telecom Development Fund to promote investment.

- Afghan Telecom – presidential decree authorizing Afghan Telecom’s incorporation signed; by-laws and other incorporating documents developed (awaiting Ministry of Justice authorization); personnel requirements identified; organizational structure designed; management staff recruited.

Trade Policy Technical Sector

- Industrial Parks – industrial park surveys and designs complete; three parks currently being developed in Bagrami, Mazar-e Sharif and Kandahar; in Bagrami, 34 lots have been assigned to applicants.
- Business Licensing – in conjunction with the Taxpayer Identification Numbering System, Business Licensing reform is currently taking place in Kabul City, Herat, Jalalabad, Mazar-e Sharif, Kandahar, Balkh and Kunduz; 8,647 licenses have been issued to date.